

Annual Implementation Statement (forming part of the Trustees' Report)

Introduction and purpose to this statement

This document is the Annual Implementation Statement ("the statement") prepared by the Trustees of the Formica Limited 1998 Pension Scheme (the "Scheme") covering the Scheme year from 6 April 2023 to 5 April 2024.

The purpose of this statement is to:

- set out the extent to which, in the opinion of the Trustees, the engagement policy under the Scheme's Statement of Investment Principles ("SIP") has been followed during the year
- describe the voting behaviour by, or on behalf of, the Trustees over the year.

A copy of this Implementation Statement has been made available on the following website:

<https://www.formica.com/en-gb/formica-pension-schemes/formica-limited-1998-pension-scheme>

Changes to the SIP over the Year to 5 April 2024

There were no changes to the SIP over the Scheme year. The SIP was last reviewed and updated in December 2022 to reflect changes in the target allocation following an investment strategy review; whereby the equity allocation was reduced to 15% and bonds increased to 85%.

Trustees' Engagement and Voting Policy

The Scheme owns units in passively managed pooled funds in which it is invested but it does not own the underlying assets of the funds. The responsibility for exercising and directing engagement and voting rights acquired through the Scheme's investments is delegated to the Investment Manager. All of the Scheme's invested assets are held with BlackRock.

Due to the passive nature of the Scheme's investments, the Trustees recognise that no material decisions are taken by the investment manager on the holdings to be included in the portfolio as they must retain asset holdings that are broadly in line with the relevant market index they are tracking. However, the Trustees expect that the Investment Manager where appropriate will engage with companies on matters such as performance, strategy, capital structure, management of actual or potential conflicts of interest risks, and environment, social and governance ('ESG') issues concerning the Scheme's investments.

The Trustees have reviewed the engagement and the voting behaviour of the Investment Manager during the year from 6 April 2023 to 5 April 2024, for all equity investments within the Scheme.

Engagement Activity

On behalf of the Trustees the Investment Manager engages companies to provide feedback on their practices and inform their voting. The Investment Manager focuses on a range of issues that fall within each of the environmental, social and governance (ESG) categories to assess where there is potential for material long-term financial impact on a company's performance. The Investment Manager is signed up to the UK FRC Stewardship Code.

The Trustees have reviewed all engagement results and are comfortable that the Investment Manager has engaged appropriately with various companies, and that those engagements reflect the Trustees' expectations and are in line with the Scheme's Statement of Investment Principles.

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| Fund | Total Company Engagements | Number of Companies Engaged | Companies with Multiple Engagements | Governance | Social | Environmental |
|---|----------------------------------|------------------------------------|--|-------------------|---------------|----------------------|
| Aquila Life UK Equity Index Fund | 795 | 445 | 185 | 56% | 22% | 22% |
| Aquila Life US Equity Index Fund | 639 | 397 | 166 | 50% | 26% | 24% |
| Aquila Life European Equity Index Fund | 381 | 209 | 102 | 62% | 18% | 20% |
| Aquila Life Japanese Equity Index Fund | 282 | 193 | 58 | 56% | 26% | 18% |
| Aquila Life Pacific Rim Equity Index Fund | 175 | 123 | 38 | 43% | 30% | 27% |

Voting information on the Scheme's bond funds is not provided since the vast majority of loan and debt securities do not come with voting rights.

Voting Process

The Trustees delegates the exercise of voting rights to its Investment Manager.

The Investment Manager's proxy voting guidelines are market-specific to ensure that account is taken of a company's unique circumstances by market, where relevant. The voting decision of the Investment Manager is informed through research and engagement as necessary. The engagement priorities are global in nature and are informed by the Investment Manager's observations of governance related and market developments, as well as through dialogue with multiple stakeholders, including clients. The Investment Manager may also update regional engagement priorities based on issues believed to impact the long-term sustainable financial performance of companies in those markets.

The Investment Manager determines which companies to engage directly with based on an assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of the engagement being productive. The Investment Manager has a set of voting guidelines that are used to assess a company's approach to corporate governance and the items on the agenda to be voted on at the shareholder meeting. The voting guidelines are applied pragmatically, taking into account a company's unique circumstances where relevant.

A summary of the votes made by the Scheme's investment managers on behalf of the Trustees over the year to 5 April 2024 is set out below:

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Aquila Life UK Equity Index Fund

| | | |
|------------------------------------|---|--|
| Voting activity | Number of votes eligible to cast: | 14,770 |
| | Percentage of eligible votes cast: | 96% |
| | Percentage of votes with management: | 96% |
| | Percentage of votes against management: | 3% |
| | Percentage of votes abstained from: | 1% |
| Most significant votes cast | Company | Shell Plc |
| | Date of vote | 23 May 2023 |
| | Resolution | Request Shell to Align its Existing 2030 Reduction Target Covering the Greenhouse Gas (GHG) Emissions of the Use of its Energy Products (Scope 3) with the Goal of the Paris Climate Agreement |
| | Vote Cast | Against |
| | Rationale for voting decision | The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company |
| | Outcome of vote | Fail |

Aquila Life US Equity Index Fund

| | | |
|------------------------------------|---|---|
| Voting activity | Number of votes eligible to cast: | 8,024 |
| | Percentage of eligible votes cast: | 99% |
| | Percentage of votes with management: | 97% |
| | Percentage of votes against management: | 2% |
| | Percentage of votes abstained from: | 0% |
| Most significant votes cast | Company | Dollar Tree, Inc. |
| | Date of vote | 13 June 2023 |
| | Resolution | Advisory Vote on Executive Compensation of Named Executive Officers |
| | Vote Cast | Against |
| | Rationale for voting decision | Remuneration arrangements and remuneration committee are poorly structured. |
| | Outcome of vote | Pass |

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Aquila Life European Equity Index Fund

| | | |
|------------------------------------|---|--|
| Voting activity | Number of votes eligible to cast: | 8,623 |
| | Percentage of eligible votes cast: | 82% |
| | Percentage of votes with management: | 88% |
| | Percentage of votes against management: | 11% |
| | Percentage of votes abstained from: | 1% |
| Most significant votes cast | Company | BE Semiconductor Industries NV |
| | Date of vote | 26 April 2023 |
| | Resolution | Approve Remuneration Report |
| | Vote Cast | Against |
| | Rationale for voting decision | Poor use of remuneration committee discretion regarding the grant of a one-off award. Remuneration arrangements are poorly structured. |
| | Outcome of vote | Fail |

Aquila Life Japanese Equity Index Fund

| | | |
|------------------------------------|---|---|
| Voting activity | Number of votes eligible to cast: | 6,075 |
| | Percentage of eligible votes cast: | 100% |
| | Percentage of votes with management: | 96% |
| | Percentage of votes against management: | 3% |
| | Percentage of votes abstained from: | 0% |
| Most significant votes cast | Company | Toyota Motor Corp. |
| | Date of vote | 14 June 2023 |
| | Resolution | Amend Articles to Report on Corporate Climate Lobbying Aligned with Paris Agreement |
| | Vote Cast | Against |
| | Rationale for voting decision | Shareholder proposal as the proposal will not serve shareholder's interest. |
| | Outcome of vote | Fail |

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Aquila Life Pacific Rim Equity Index Fund

| | | |
|------------------------------------|---|---|
| Voting activity | Number of votes eligible to cast: | 3,119 |
| | Percentage of eligible votes cast: | 100% |
| | Percentage of votes with management: | 89% |
| | Percentage of votes against management: | 10% |
| | Percentage of votes abstained from: | 0% |
| Most significant votes cast | Company | Techtronic Industries Co., Ltd. |
| | Date of vote | 12 May 2023 |
| | Resolution | Approve the Amendments to Share Award Scheme Approve the Amendments to Share Option Scheme |
| | Vote Cast | Against |
| | Rationale for voting decision | Incentive arrangements do not support the long-term economic interests of shareholders. |
| | Outcome of vote | Pass |

Conclusion

The Trustee considers that all SIP policies and principles were adhered to during the year.

Trustees of the Formica Limited 1998 Pension Scheme
August 2024